

**MINUTES OF THE MEEETING
OF THE BOARD OF DIRECTORS OF
THE DEPARTMENT OF WATERWORKS**

Date: November 20, 2003

The Board of Directors (the "Board") of the Department of Waterworks (the "Department") met at 200 East Washington Street, Indianapolis, Indiana in the Public Assembly Room of the City-County Building. The following Board members were in attendance: Samuel L. Odle, John Mutz, S. Michael Hudson, Jack Bayt and Barbara Howard.

Chairperson Odle began the meeting stating that two public hearings on bond matters as set forth in the agenda will be conducted at the meeting. He asked that anyone wishing to comment write their name and address on sign sheets available at the front of the public assembly room.

I. Approval of the Minutes of the October 30, 2003 Meeting

Chairperson Odle asked for motions to approve the minutes of the meeting of the Board as of October 30, 2003 as set forth in Exhibit A, attached hereto and made a part hereof (the "Minutes"). A motion was made and seconded for approval of the Minutes. The Board unanimously approved the Minutes.

II. Financial Report of the Department

Robert Erney, Financial Manager of the Department, presented his report as set forth in Exhibit B, attached hereto and made a part hereof (the "Financial Report").

Vice Chairperson Mutz asked if the Department of Waterworks has a collection process for those who are over 90 days late.

Mr. Erney replied the Department sends out late notice reminders.

Vice Chairperson Mutz further asked if the Department has a third party undertaking those collections.

Mr. Erney replied yes adding that after the notice is sent and no response is received a collection agency handles the outstanding invoice.

Chairperson Odle asked if the customers are sent to a collection agency would their services be disconnected.

Mr. Erney replied affirmatively.

III. USFIW Report

Tim Hewitt of USFIW issued his report as set forth in Exhibit C, attached hereto and made a part hereof ("USFIW Report").

IV. Report of the Directors of Contracts and Operations of the Department

Mr. Curry delivered his report as set forth in Exhibit D, attached hereto and made a part hereof (the "Department Report").

Mr. Bayt asked how much coordination does DPW have with the Department regarding flows and sewer projects.

Mr. Curry replied not much, but next week he intended to meet with Mr. Carlton Ray of DPW to go over this sort of idea.

Mr. Bayt further stated it would be great to see DPW and the Department work in unison.

V. Resolution No. 23, 2003- Approval of 2004 Budget of Consolidated City of Indianapolis, Department of Waterworks-Robert Erney, Financial Manager

Mr. Erney presented a summary of Resolution No. 23, 2002 as set forth in a draft 2004 budget, attached hereto and made a part hereof (the "2004 Budget").

Chairperson Odle asked if the management of the water system line item included 100% of the possible incentive fees.

Mr. Erney replied affirmatively.

Mr. Hudson asked if the "Pilot" line item is for payments in lieu of taxes.

Mr. Erney replied affirmatively.

Vice Chairperson Mutz asked what is going on with the research into the Department's property tax appeals.

Mr. Erney stated nothing yet to report from Baker & Daniels.

Mr. Bayt asked what is the debt ratio that the Department of Waterworks needs to keep.

Mr. Erney replied the Department is required to maintain a 110% debt ratio before it must seek a rate increase and that the Department as previously reported is beyond that number.

Hearing no further questions, Chairperson Odle called for a vote on the resolution. A motion was made and seconded to adopt the resolution. The Board unanimously adopted Resolution No. 23, 2003.

V. Resolution No. 24, 2003-Confirmatory Resolution for Bond Issuance-Kobi M. Wright, Esq. and Lisa Lee, Esq., Ice Miller

Chairperson Odle introduced Kobi M. Wright, Special Assistant Corporation Counsel. Mr. Wright introduced Lisa Lee of Ice Miller as bond counsel. Ms. Lee summarized Resolution No. 24, 2003.

Chairperson Odle announced the hearing was open for comments from the public and he asked those making comments to speak for three minutes and to refrain from repetitive comments. He asked those from the public who have signed in to step forward to speak.

Mr. Glenn Pratt stated that he would have liked the public to have more time to prepare for the bond issuance being presented this evening.

Chairperson Odle asked if there were any comments from the public. Hearing none, Chairperson Odle announced the hearing was closed for public comment. Chairperson Odle asked if the Board had any questions.

Vice Chairperson Mutz asked if the Board can be assured the existing cash flow of the utility will service the \$50 million debt over the 30 year period and still meet the coverage ratio required.

Mr. Curry stated the coverage is well within the Department's range

Vice Chairperson Mutz asked why have all the bond amount undertaken this year and not separately.

Mr. Erney replied it's cheaper in terms of interest rates and saves money in the long run.

Vice Chairperson Mutz asked what percent is for general capital projects

Mr. Curry replied that about 60% is for capital projects which includes infrastructure improvements and water storage units.

Mr. Bayt asked if that means the remainder is for growth.

Mr. Curry replied the Department identifies a growth project as one that assists one or more ratepayers directly and if not it is infrastructure.

Mr. Bayt asked what are the revenues for 2004 and beyond.

Mr. Curry that really depends on the number of ratepayers and the weather.

Vice Chairperson Odle stated generally that the 2004 budget, assuming it has the same customer base, was done in contemplation of a return on the Department's investment occurring in the future.

Mr. Curry replied that Chairperson is correct that the Department will start reaping the results of the investments made in 2002/2003 in the future. He added that there is usually a lag time with utilities in recouping investment however upon looking at the numbers for various building permits in the different townships around Marion County and surrounding counties the numbers look pretty good for the future. Mr. Curry further stated that the Department would have to have over a 5% change in the gross revenues in the negative direction before the Department would have any concerns.

Mr. Hudson stated that the bond issuance would be restoring capital in the utility to the requirements in the traditional investment plan prior to NiSource's plan to sell to the utility. He added this facilitates the normal growth pattern that was built in to the acquisition numbers of 3 ½ % per year and that the Department is going back to the plan the Department of Waterworks to invest \$35 million a year and that is what NiSource neglected to do in the past 2-3 years. He added all this would be doing is getting the Department back to the normal course of business.

Mr. Curry replied Mr. Hudson is correct.

Hearing no further questions, Chairperson Odle called for a vote on Resolution No. 24, 2003. A motion was made and seconded to adopt the resolution. The Board unanimously voted to adopt Resolution No. 24, 2003.

VI. Resolution No. 25, 2003- Appropriation of Bond Issuance-Lisa Lee, Esq., Ice Miller

Chairperson Odle introduced Ms. Lee. Ms. Lee summarized Resolution No. 25, 2003.

Chairperson Odle announced the hearing was open for comments from the public and asked those who signed in to speak please step forward to do so. He asked that comments be no more than three minutes and that speakers refrain from repetitive comments.

Hearing no individuals from the public who wished to speak, Chairperson Odle asked if the Board had any questions and called for a vote on the resolution.

Mr. Wright stated Chairperson Odle should close the hearing prior to a vote and that Chairperson Odle need not entertain motions to close the hearing.

Chairperson Odle closed the hearing for comments from the public.

A motion was made and seconded to adopt the resolution. The Board unanimously adopted Resolution No. 25, 2003.

VIII. Resolution No. 26, 2003-Approval of Capital Projects-Carlton E. Curry, Director of Contracts and Operations

Mr. Curry summarized the resolution.

Vice Chairperson Mutz asked what sort of process did the Department go through to determine the proposed capital project allocations.

Mr. Curry replied that a bid process occurred and that it's down to 2 vendors, Cummins or Caterpillar, to provide White River and Fall Creek with back up generators.

Chairperson Odle asked if no back up power is at these facilities.

Mr. Curry stated none were at those facilities.

Hearing no further questions from the Board, Chairperson Odle called for a vote to adopt the resolution. A motion was made and seconded to adopt the resolution. The Board unanimously adopted Resolution No. 26, 2003.

IX. Other Business

Chairperson Odle asked for public comments.

Mr. Glenn Pratt stated that he would encourage the Board to put a plan in place and prioritize its operations in the event a drought were to occur.

Approved this 18th day of December 2003.

Samuel L. Odle, Chairperson

Attest:

S. Michael Hudson,
Secretary-Treasurer